

# The Effect of Political Connection on Tax Avoidance with *Zombie Firms* as a Moderating Variable

Arniati<sup>1</sup>, Ezra Dwisani Situmorang<sup>2</sup>

{arni@polibatam.ac.id<sup>1</sup>, ezradwi13@gmail.com<sup>2</sup>}

Politeknik Negeri Batam, Management and Business Department, Batam City, Indonesia<sup>12</sup>

**Abstract.** This study aims to find out and find empirical evidence regarding the effect of political connections on tax avoidance with zombie firms as a moderating variable in Indonesia. Corporate tax avoidance is calculated using the effective tax rate (ETR). A lower ETR value indicates a higher level of tax avoidance. Linear regression analysis and moderation were used as analytical methods. Manufacturing companies listed on the Indonesian Stock Exchange during the 2018-2021 period are the samples in this study. The results of this study reveal that political connections have no effect on tax avoidance and zombie firm cannot moderate the relationship between the two.

**Keywords:** Tax Avoidance, Political Connection, Effective Tax Rate, Zombie Firm

## 1 Introduction

The phenomenon of tax avoidance has become a hotly discussed issue in many countries. The presence of corporate boards with political connections is considered to have an attachment in choosing a tax management strategy so that political connections are considered as a trigger factor for tax avoidance. Allegations that politically connected firms have higher tax avoidance because they receive more information about changes in law and tax enforcement, lower pressure from capital markets for transparency, and tendencies more risk taking [1]. The ability of companies to influence their tax burden is higher after the addition of politically affiliated board members, but lower after changes in the political environment limit the ability of politicians and company managers to exchange favours [2].

In the Islamic banking industry, tests have been carried out on political connections, joint audits and tax avoidance in eight different countries and it was found that political connections can increase tax avoidance [3]. Research on politically connected registered companies in Malaysia proved to be more aggressive in tax avoidance than non-connected companies [4]. Using a sample of 35 countries, [5] document that political connections positively influence tax avoidance and this relationship becomes stronger for high-corruption environments. Various corporate political activities, including the hiring of politically connected directors, campaign contributions, and lobbying make U.S. companies more tax aggressive [1].

In Indonesia, many studies have been conducted on tax avoidance. The results of research on

manufacturing companies in 2015-2017 show a significant influence between political connections and tax aggressiveness [6]. The use of political connections as a moderating variable in research on the influence of leverage, executive character, and institutional ownership on tax avoidance significantly moderates the effects of institutional ownership on tax avoidance [7]. Other studies also reveal that political relations have a negative impact on effective tax rates (ETR) which is then strengthened by adding ownership structure as a moderating variable [8]. In contrast to the results mentioned above, [9] argues that military or political experience that is related to state interests forms loyalty to the state, so that relations with retired military officers will reduce tax avoidance activities. [10] also documented the results of the same research and stated that political connections were not a factor in tax avoidance.

The author also sees that lately the *zombie firm phenomenon* has attracted a lot of attention because of the condition of companies that survive even though they do not have sufficient income to cover debts. A *zombie* company is generally defined as a bankrupt business that stays afloat in the market instead of pursuing restructuring or bankruptcy [11]. Other studies suggesting that *zombie firms* are mature, debt-ridden companies and do not have the potential to repay their debts due to a lack of profitability over a long period of time, has attracted increased attention from researchers and policy makers in recent years [12]. *Zombie* companies are characterized by low operational and production efficiency, and they suffer long-term losses or bankruptcy [13]. The financial crisis raises questions about the strategies that are important for sustaining performance. This performance is primarily part of the ability to compete which of course has an impact on aspects of business continuity. Another goal to be achieved apart from the company level is performance stability which is expected to disrupt the stability of the economic system as a whole. To maintain the company, several efforts were made, one of which was by doing tax avoidance. The internal involvement of companies that are included in *the zombie firm* with the government/politics is thought to be able to maintain the sustainability of the company [14].

There are differences in results and assumptions in several studies that make researchers want to test further to find out the consistency of results in different sample applications. The previous research that was used as the basis for doing this was a study conducted by [8] which examined the relationship between politics and tax avoidance as measured by the Effective Tax Rate (ETR) and added a moderating variable to the ownership structure of listed companies. on the IDX in the manufacturing sector with the 2017-2019 observation year. The researchers also combined the research base of [14] which examined the relationship between politics and corporate zombies in China in 2005-2015.

This study has differences from previous studies, including the use of the *zombie firm variable* as a moderating variable to see the significant influence between political connections and ETR. This study uses companies listed on the Indonesia Stock Exchange (IDX) in the manufacturing sector as research objects. The research time period is 4 years using 2018-2021. The formulation of the problem in this study is to examine whether there is a significant influence of political connections on tax avoidance and whether zombie firms can significantly moderate political connections on tax avoidance. In line with the formulation of the problem, the purpose of this research is to find empirical evidence about the effect of political connections on tax avoidance with zombie firms as a moderating variable in Indonesia.

## **2 Literature Review**

### **2.1 Agency Theory**

Agency theory, also known as agency theory, explains the relationship between company management as agents and company owners as principals [15]. Agency conflicts begin to arise when different interests arise between management and shareholders, such as tax avoidance [8]. Other literature also captures agency conflicts between managers and shareholders [14].

### **2.2 The Effect of Political Connection on Tax Avoidance**

Tax avoidance is considered an unethical act because it interferes with the government's ability to provide public facilities and infrastructure which are financed through tax revenues [16]. Tax avoidance is carried out by exploiting gaps in existing tax regulations [17]. The board of directors plays a major role in managing company resources including the tax management strategy. Companies gain several advantages by engaging politically. First, politically related companies are not forced by the market to be transparent [1]. Second, companies that are politically connected have the opportunity to access and obtain information regarding changes to tax regulations in the future [4]. Related to this, companies can gain access to preferential information, which allows them to better know when more aggressive tax planning might be tolerated [18]. Consistent with this, previous literature reveals that companies that are politically connected will tend to be tax aggressive compared to those who are not involved [1], [4], [6]. Similar research results were also found in research conducted by the Islamic banking industry that banks that are politically connected do more tax avoidance [3]. Thus, the hypothesis is formulated as follows.

Ha1: there is a significant influence of political connections on tax avoidance.

### **2.3 Political Connections, Zombie Firm, and Tax Avoidance**

Zombie is a financially distressed company [19]. Zombie companies refer to companies that should go bankrupt due to low efficiency and profitability but survive with external support from the government or banks [20]. Literature studies on listed companies in China document that companies with government ties create more zombies because these political connections worsen the efficiency of the connected firms but keep them operating [14]. Businesses facing financial constraints will usually pursue an optimal cash strategy to balance the returns on current investments with the returns on future investments. They expect future financing constraints by reinvesting cash from current profits, so companies facing financial constraints will grow their cash holdings to ensure future sustainability, which can be achieved in part by reducing tax payments [16]. By taking advantage of the advantages that come with being politically connected, the zombie corporation can stay afloat. It is suspected that the existence of a zombie firm can strengthen the link between political connections and tax avoidance.

Ha2: Zombie firms can strengthen political connections and tax avoidance.

## 2.4 Research Model

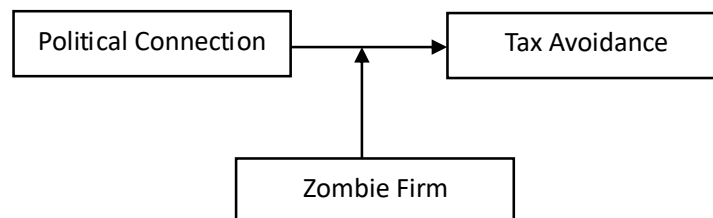


Fig. 1. Research Model

## 3 Research Methods

### 3.1 Population and Research Sample

Secondary data is used in this study. Data was collected and analyzed from idx.co.id and the company's official website as well as the additional ORBIS website. The research population is a manufacturing company listed on the IDX. The sampling method is *purposive sampling* with the following criteria: a) manufacturing companies registered in 2018-2021; b) the company's annual report is accessible; c) the company has the required data. Based on these criteria, there are 80 sample companies or 320 observational data for four years.

### 3.2 Research variable

In this research, the independent variable is political connections. Political connections refer to a circumstance that signifies a political association between directors or commissioners and external entities within the company, wherein both parties derive mutual benefits from this relationship [8]. A company is connected with a politician if one of its major shareholders or high officials is a member of parliament, minister or head of state, or has a close relationship with a high official [5]. Indonesia is a country with enormous military influence over the political decision-making process, finding that politically significant connected companies enjoy lower debt interest rates than those that are not connected [21]. In accordance with this, the standards employed to recognize the presence of political connections involve assessing whether the board of directors or the board of commissioners includes individuals who are current or former members of the People's Representative Council, executive members, or officials in governmental institutions, as well as individuals who are current or former members of the military and political parties [8]. The measurement uses a dummy variable, namely a board of directors with political connections is code 1 and code 0 otherwise.

This study uses tax avoidance as the dependent variable. Tax avoidance refers to a company's efforts to minimize the tax burden. The indicator for measuring tax avoidance uses the *Effective Tax Rate* (ETR). Measurement of tax avoidance using ETR in this study is due to two reasons. First, ETR measurement can describe tax planning aggressively through permanent differences between commercial and fiscal profits [10]. Second, it is the best measurement to identify each tax planning activity [4]. This measure is widely used in the research literature [3], [4], [8], [22],

[23]. The lower the ETR, the higher the corporate tax avoidance [8]. Effective Tax Rate is the ratio of current tax expense divided by profit before tax . The calculation formula is as follows:

$$ETR = \frac{\text{Total Tax Expense}}{\text{Earning Before Tax}} \quad (1)$$

This study uses zombie firm as a moderating variable. Zombie firm refers to a company that should go bankrupt due to low efficiency and suffer losses but still survive due to external support from the government sector or banks [20]. The size of zombie firms follows the size of CHK by calculating the minimum interest payments required for each company every year [19]. The calculation is as follows:

$$R_{i,t} = rs_{t-1} \times BS_{i,t-1} + \left(\frac{1}{5} \sum_j^5 rl_{t-j}\right) \times BL_{i,t} + rsb_{t-1} \times SB_{i,t-1} + rlb_{\text{min over last 5 years}} \times LB_{i,t-1} \quad (2)$$

Where  $BS_{i,t-1}$ ,  $BL_{i,t}$ ,  $LB_{i,t-1}$  are *short-term bank loans* (less than one year), *long-term bank loans* (more than one year) and *total bonds outstanding*, respectively, to companies *i* at the end of the year *t*. In addition,  $rs_{t-1}$ ,  $rl_t$ , and  $rlb_{\text{min over last 5 years}}$  represent the short-term average interest rate in year *t*, the long-term average interest rate in year *t*, and the observed minimum coupon rate for convertible corporate bonds issued over the last five years, respectively. The CHK criterion compares each firm's actual interest payments to the required minimum interest, and identifies firms that pay lower interest amounts than required as potential zombies. The rationale behind this approach is that paying a lower interest amount than the minimum amount is a direct credit subsidy. In CHK's measure, companies are classified as *zombies* if they receive subsidized credit. For the traditional CHK measure, this study adds a profitability dimension to the zombie definition where the companies we identify as zombies must also rank in the bottom 50% in terms of Return On Assets (ROA) in the appropriate sector [14].

### 3.3 Data Processing and Analysis Techniques

The test tool for testing research variables is to use statistical software Eviews 12 to perform data processing. The regression equation model for studying the hypothesis in this study is as follows:

$$ETR = C + \beta_1 PC + \beta_2 ZF + e \quad (3)$$

$$ETR = C + \beta_1 PC + \beta_2 ZF + \beta_3 Z + e \quad (4)$$

Information:

- C : Constant
- $\beta$  : Regression coefficient
- ETR : Effective Tax Rate
- PC : Political Connection
- ZF : Zombie Firm
- Z : PC\*ZF

## 4 Result and Discussion

### 4.1 Estimation Model Determination Results

There are 3 models for estimating regression with panel data, *namely the Ordinary Least Square (OLS) model, the Fixed Effect Model (FEM), or Random Effect Model (REM)*. The determination of the model in this study was based on statistical tests carried out using the Chow test, Hausmann test, and the Breusch & Pagan Lagrange Multiplier test.

**Table 1.** Regression Model Test Result

No	Test	Effect Test	Prob.	Remarks
1	<i>Chow</i>	<i>Cross-Section F</i>	0.0000	<i>Fixed Effect Model</i>
2	<i>Hausmann</i>	<i>Cross-Section Random</i>	0.5891	<i>Random Effect Model</i>
3	<i>Breusch &amp; Pagan Lagrange Multiplier</i>	<i>Cross-Section Breusch-Pagan</i>	0.0000	<i>Random Effect Model</i>

In the first test of the Chow test, it was found that the results of the Prob. Cross-section F is  $0.000 < 0.05$ , which implies the Fixed Effect Model is a suitable model for testing panel data. After carrying out the Chow test, then the Hausmann test was carried out. The Hausmann test results show that the Cross-section Random value has a probability value of  $0.5891 > 0.05$ . This figure shows that on the results of the Hausmann test, the Random Effect Model is the right model for panel data testing. The last test to select a panel data test model is the Breusch & Pagan Lagrange Multiplier test. The test results show that the value of the Breusch-Pagan cross-section is  $0.000 < 0.005$ . These figures indicate that the Random Effect Model is the most suitable model for panel data testing. The test results show that the Random Effect Model is the panel data regression model that will be most suitable in this study.

### 4.2 Classical Assumption Test Results

This study conducted classical assumption tests, *namely normality, multicollinearity, heteroscedasticity, and autocorrelation*.

**Table 2.** Classical Assumption Test Result

No	Test	Tools	Sig.	Remarks
1	Normality	Jarque Bera	424.8391	Data is not normally distributed
2	Multicollinearity	Tolerance/VIF	<0.8	There is no multicollinearity
3	Heteroskedasticity	Grafik	Menyebar	There is no heteroskedasticity
4	Autocorrelation	Durbin Watsons	>-2/<2	There is no autocorrelation

The normality test in this study was not carried out because the use of the normality test was carried out if the number of observation data was less than 30. Thus, there is no need to do a normality test if the number of observation data was above 30 [24]. According to the assumption

of the central limit theorem, with a large number of samples, especially more than 30 ( $n > 30$ ), the data is considered normally distributed. In this research shows that the data shows that the data is not normally distributed, but because the number of observational data is more than 30, it is assumed that the data is normal. The normality test requirements for the regression model in this study met the requirements. It can be concluded that there is no classical assumption test problem in the data used in this study.

#### 4.3 Descriptive Statistical Test Results

The integrity of the data both in terms of concentration and distribution of data is described by conducting descriptive analysis. To find the midpoint of the data, the average or *mean value* is calculated over the observation period. It shows how centralized data at a certain point.

**Table 3.** Descriptive Statistical Result

Variabel	N	Min.	Max.	Mean	Std. Deviation
ETR	320	0.002017	0.893406	0.261404	0.158686
PC	320	0.000000	1.000000	0.334375	0.472510
ZF	320	0.000000	1.000000	0.315625	0.465492
Z	320	0.000000	1.000000	0.0655625	0.248013

According to table 2, the mean ETR is 0.261404 or 26.14%. This value shows how much the company's tax payments are compared to the company's pre-tax profit. When compared to the average 2018-2021 corporate mandatory tax rate of 23.5%, it can be indicated that the payment of corporate tax is higher than the corporate tax rate that applies in Indonesia.

#### 4.4 Hypothesis Test Results

##### Panel Data Regression Results

By using the random effect as the best model, the results of the panel data regression are in Table 4 and Table 5 as follows:

**Table 4.** Model 3 Regression Test Result

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	0.262303	0.014959	17.53513	0.0000
PC	-0.002688	0.025719	-0.104522	0.9168
R-Squared	0.000034			
Adjusted R-Squared	-0.003110			
F-Statistic	0.010959			
Prob(F-Statistic)	0.916692			

**Table 5.** Model 4 Regression Test Result

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	0.272919	0.017353	15.72774	0.0000
PC	-0.014886	0.028166	-0.528503	0.5975
ZF	-0.028027	0.023412	-1.197108	0.2322
Z	0.035178	0.044727	0.786494	0.4322
R-Squared	0.004672			
Adjusted R-Squared	-0.004778			
F-Statistic	0.494392			
Prob(F-Statistic)	0.686421			

After testing before adding the moderating variable, it was found that the Adjusted R Square value was -0.00 3110, so it was concluded that the contribution of the independent variable to the dependent variable simultaneously was -0.31%. This figure has increased after the addition of the moderating variable to -0.004778 or -0.47%. This value indicates that political connections and zombie firms are only able to explain the practice of tax avoidance (ETR) of -0.47%. This very small number indicates that there is no effect of the independent variable on the dependent variable.

Regression results using the Random Effect Model based on table 4, have a negative value of the regression coefficient of the political connection variable. The coefficient value illustrates that the functional relationship between the independent variables is not directly proportional to the coefficient of the dependent variable. It means an increase in each political connection variable will result in an increase in tax avoidance (ETR) which in turn will result in a decrease in tax payments. The political connection variable has a coefficient value of -0.00 2688 with a *Prob value*. 0. 9168. Compared to the significance level ( $\alpha$ ), this value is higher so that there is no significant influence of political connections on tax avoidance practices. Thus, the statistical results are rejected first hypothesis.

Table 5 presents the results of the interaction test for the moderating variable (Z). The results of the statistical test between political connections and zombie firm variables on the ETR show a statistically insignificant number, namely 0.4322. This empirical finding proves that the zombie firm variable does not affect ETR, either by itself ( $\alpha = 0.2322$ ) or interacting with political connections ( $\alpha = 0.4322$ ). In this case the zombie firm variable does not act as a predictor or moderating variable. These results show that zombie firms do not strengthen the relationship between political connections and tax avoidance. Thus, these statistical results reject the second hypothesis.

**Table 6.** Summary of Regression Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Remarks
PC	-0.002688	0.025719	-0.104522	0.9168	H1 Rejected
PC --> ETR	-0.014886	0.028166	-0.528503	0.5975	
ZF --> ETR	-0.028027	0.023412	-1.197108	0.2322	H2 Rejected
PC*ZF --> ETR	0.035178	0.044727	0.786494	0.4322	



### **Political Connections and Tax Avoidance**

In testing the results of the first hypothesis, political connections have a negative effect on ETR, but this figure is not supported significantly. This shows that political connections have nothing to do with tax avoidance. Previous research has shown that political connections influence tax avoidance, implying that politically connected firms are more tax aggressive than unconnected firms [1], [4]. It was further emphasized that political connections can reduce the value of ETR within the company and not only provide assistance but also create nepotism [8].

In contrast to previous research, the new study shows that political relations do not affect tax avoidance. This study is in line with the research results of [10] and [9] which state that companies with politically connected boards are considered companies that follow the rules because they do not use power to avoid taxes which can reduce the reputation of government institutions. In order to continue to be awarded as a tax-compliant company from the government, companies that have politically close relationships will make these companies more careful in making decisions and policies [25]. According to the Regulation of the Minister of Finance Number 71/PMK.03/2010, [26] states that political relations do not have an impact on tax avoidance allegedly because most of the shares are owned by the Central Government and Regional Governments directly so that the company is considered a taxpayer adherents, tax avoidance is impossible, according to the Directorate General of Taxes. It is also considered that companies in carrying out tax avoidance must be more careful because of the risk of worsening the company's image [27].

### **Political Connections, Zombie Firm and Tax Avoidance**

Companies in Indonesia do not seek additional cash and profits from minimizing the tax burden when financial problems occur [28]. Companies that are experiencing financial problems tend to restructure debt by trying to ask for an extension of the debt repayment period until the company has sufficient cash to pay off debt payments. This finding is also in line with [29] the credibility of the company can increase if the board is politically connected because of the company's ability to pay off debt and interest on time, this serves to guarantee company loans so as to provide a good view of creditors .

## **5 Conclusion**

This research, it can be concluded that politically connected companies cannot be proven as a factor causing tax avoidance. Companies that are almost dead but are still operating or are called zombie firms are also not proven to have committed tax avoidance to maintain the continuity of the company. Companies with political connections will become more controlled due to increased supervision from many parties and will tend not to participate in risky corporate activities such as tax avoidance [10]. Politically connected companies are strictly monitored and evaluated by the government, including paying taxes and complying with government regulations.

These findings do not support agency theory arises when taxes are tried to be suppressed by management by do tax avoidance so that the company value is obtained get high while the existence of tax avoidance is not wanted by the principal because of this is considered manipulate financial reports. Another impact of tax avoidance by management is giving

investors asymmetric information.

In this study, several suggestions were found that could be considered for future research, namely: 1) improvement size research observation data all of the company sectors on the IDX do not only use a sample of manufacturing companies; 2) can increase the number of periods so as to produce a larger number of samples; 3) can use other proxies besides ETR in measuring tax avoidance such as *Cash ETR*, *GAAP ETR*, and *Book Tax Difference*.

## References

- [1] C. Kim and L. Zhang: Corporate Political Connections and Tax Aggressiveness. *Contemp. Account. Res.*, vol. 33, no. 1, pp. 78–114, doi: 10.1111/1911-3846.12150 (2016)
- [2] G. Palareti et al.: Comparison between different D-Dimer cutoff values to assess the individual risk of recurrent venous thromboembolism: Analysis of results obtained in the DULCIS study,” *Int. J. Lab. Hematol.*, vol. 38, no. 1, pp. 42–49, doi: 10.1111/ijlh.12426 (2016)
- [3] Pajili, H., & Khlif, H.: Political connections, joint audit and tax avoidance: evidence from Islamic banking industry. *Journal of Financial Crime*, 27(1), pp. 155–171. <https://doi.org/10.1108/JFC-01-2019-0015>olitical connections, joint audit and tax avo,” *J. Financ. Crime*, vol. 27, no. 1, pp. 155–171, doi: 10.1108/JFC-01-2019-0015 (2020)
- [4] E. A. A. Wahab, A. M. Ariff, M. M. Marzuki, and Z. M. Sanusi: Political connections, corporate governance, and tax aggressiveness in Malaysia. *Asian Rev. Account.*, vol. 25, no. 3, pp. 424–451, doi: 10.1108/ARA-05-2016-0053 (2017)
- [5] H. Khlif and I. Amara: Political connections, corruption and tax evasion: a cross-country investigation. *J. Financ. Crime*, vol. 26, no. 2, pp. 401–411, doi: 10.1108/JFC-01-2018-0004 (2019)
- [6] S. Sugeng, E. Prasetyo, and B. Zaman: Does capital intensity, inventory intensity, firm size, firm risk, and political connections affect tax aggressiveness?. *JEMA J. Ilm. Bid. Akunt. dan Manaj.*, vol. 17, no. 1, p. 78, doi: 10.31106/jema.v17i1.3609 (2020)
- [7] F. Setya Maharani and N. Baroroh: The Effects of Leverage, Executive Characters, and Institutional Ownership to Tax Avoidance With Political Connection as Moderation. *Account. Anal. J.*, vol. 8, no. 2, pp. 81–87, doi: 10.15294/aa.v8i2.30039 (2019)
- [8] N. W. Rustiarini and I. M. Sudiartana: Board Political Connection and Tax Avoidance: Ownership Structure as A Moderating Variable. *J. Din. Akunt. dan Bisnis*, vol. 8, no. 2, pp. 128–144, doi: 10.24815/jdab.v8i2.20760 (2021)
- [9] Z. K. P. Putra and N. Suhardianto: The Influence of Political Connection on Tax Avoidance. *J. Akunt. dan Keuang.*, vol. 22, no. 2, pp. 82–90, doi: 10.9744/jak.22.2.82-90 (2020)
- [10] N. Alfiyah, B. Subroto, and A. Ghofar.: Is Tax Avoidance Caused By Political Connections and Executive Characteristics?,” *J. Akunt. Multiparadigma*, vol. 13, no. 1, pp. 32–41, doi: 10.21776/ub.jamal.2021.13.1.03 (2022)
- [11] Y. Goto and S. Wilbur: Unfinished business: Zombie firms among SME in Japan’s lost decades. *Japan World Econ.*, vol. 49, pp. 105–112, doi: 10.1016/j.japwor.2018.09.007 (2019)

- [12] C. Carreira, P. Teixeira, and E. Nieto-Carrillo: Recovery and exit of zombie firms in Portugal. *Small Bus. Econ.*, vol. 59, no. 2, pp. 491–519, doi: 10.1007/s11187-021-00483-8 (2022)
- [13] X. Jiang, S. Li, and X. Song: The mystery of zombie enterprises – ‘stiff but deathless. *China J. Account. Res.*, vol. 10, no. 4, pp. 341–357, doi: 10.1016/j.cjar.2017.08.001 (2017)
- [14] Q. He, X. Li, and W. Zhu: Political connection and the walking dead: Evidence from China’s privately owned firms. *Int. Rev. Econ. Financ.*, vol. 69, no. xxxx, pp. 1056–1070, doi: 10.1016/j.iref.2018.12.007 (2020)
- [15] M. C. Jensen and W. H. Meckling: Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *J. financ. econ.*, no. 4, pp. 305–360, [Online]. Available: <http://ssrn.com/abstract=94043>Electroniccopyavailableat:<http://ssrn.com/abstract=94043><http://hupress.harvard.edu/catalog/JENTHF.html> (1976)
- [16] D. L. Silvera, A. Hizazi, M. Syurya Hidayat, and S. Rahayu: Financial constraints and corporate governance as moderating variables for the determinants of tax avoidance. *Invest. Manag. Financ. Innov.*, vol. 19, no. 1, pp. 274–286, doi: 10.21511/imfi.19(1).2022.21 (2022)
- [17] F. Wang, S. Xu, J. Sun, and C. P. Cullinan: Corporate Tax Avoidance: a Literature Review and Research Agenda. *J. Econ. Surv.*, vol. 34, no. 4, pp. 793–811, 2020, doi: 10.1111/joes.12347 (2020)
- [18] M. Faccio: Discussion of ‘Corporate Political Connections and Tax Aggressiveness. *Contemp. Account. Res.*, vol. 33, no. 1, pp. 115–120, doi: 10.1111/1911-3846.12214 (2016)
- [19] R. J. Caballero, T. Hoshi, and A. K. Kashyap: Zombie lending and depressed restructuring in Japan,” *Am. Econ. Rev.*, vol. 98, no. 5, pp. 1943–1977, doi: 10.1257/aer.98.5.1943 (2008)
- [20] E. J. Kane: Dangers Of Capital Forbearance: The Case of the Fslc and ‘Zombie’ S&Ls. *Contemp. Econ. Policy*, vol. 5, no. 1, pp. 77–83, doi: 10.1111/j.1465-7287.1987.tb00247.x (1987)
- [21] I. Harymawan: Why do firms appoint former military personnel as directors? Evidence of loan interest rate in militarily connected firms in Indonesia. *Asian Rev. Account.*, vol. 26, no. 1, pp. 2–18, doi: 10.1108/ARA-07-2016-0086 (2018)
- [22] I. A. Salihu, H. A. Annuar, and S. N. Sheikh Obid: Foreign investors’ interests and corporate tax avoidance: Evidence from an emerging economy. *J. Contemp. Account. Econ.*, vol. 11, no. 2, pp. 138–147, doi: 10.1016/j.jcae.2015.03.001 (2015)
- [23] M. Thomsen and C. Watrin,: Tax avoidance over time: A comparison of European and U.S. firms. *J. Int. Accounting, Audit. Tax.*, vol. 33, no. November, pp. 40–63, doi: 10.1016/j.intaccudtax.2018.11.002 (2018)
- [24] S. R. Ajijja, D. Wulansari, and R. H. Setianto: Cara Cerdas Menguasai EViews. Penerbit Salemba Empat, Jakarta (2011)
- [25] G. Ayu Widya Lestari and I. G. A. M. A. D. Putri: Pengaruh Corporate Governance, Koneksi Politik, Dan Leverage Terhadap Penghindaran Pajak. *E-Jurnal Akunt.*, vol. 18, no. 3, pp. 2028–2054 (2017)
- [26] I. M. S. Dhama and P. A. Ardiana: Pengaruh Leverage, Intensitas Aset Tetap, Ukuran Perusahaan, dan Koneksi Politik terhadap Tax Avoidance. *E-Jurnal Akunt. Univ. Udayana*, vol.

15, no. 1, pp. 584–613 (2016)

- [27] S. E. P. Budiman and V. E. Fitriana: The Moderating Role of Corporate Governance on the Relationship between Tax Avoidance and Firm Value. *AFRE (Accounting Financ. Rev.*, vol. 4, no. 1, pp. 65–71, doi: 10.26905/afr.v4i1.5973 (2021)
- [28] R. R. Octaviani and S. Sofie: Pengaruh Good Corporate Governance, Capital Intensity Ratio, Leverage, dan Financial Distress Terhadap Agresivitas Pajak pada Perusahaan Tambang yang Terdaftar di BEI Tahun 2013-2017. *J. Akunt. Trisakti*, vol. 5, no. 2, pp. 253–268, doi: 10.25105/jat.v5i2.4848 (2019)
- [29] G. S. Harijanto and S. Supatmi: Pengaruh Dewan Terkoneksi Politik terhadap Cost of Debt pada Perusahaan Manufaktur di Indonesia. *Nominal Barom. Ris. Akunt. dan Manaj.*, vol. 11, no. 2, pp. 196–205, doi: 10.21831/nominal.v11i2.46877 (2022)